



Scottish Rural Development Programme

Summary of Progress - 2014 to 2016



The European Agricultural Fund
for Rural Development:
Europe investing in rural areas



Scottish Government
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Introduction

This is a summary of the second Annual Implementation Report on the [Scottish Rural Development Programme \(SRDP\) 2014-2020](#) covering the calendar year 2016 and the period from 2014 to 2016. The full report can be accessed [here](#).

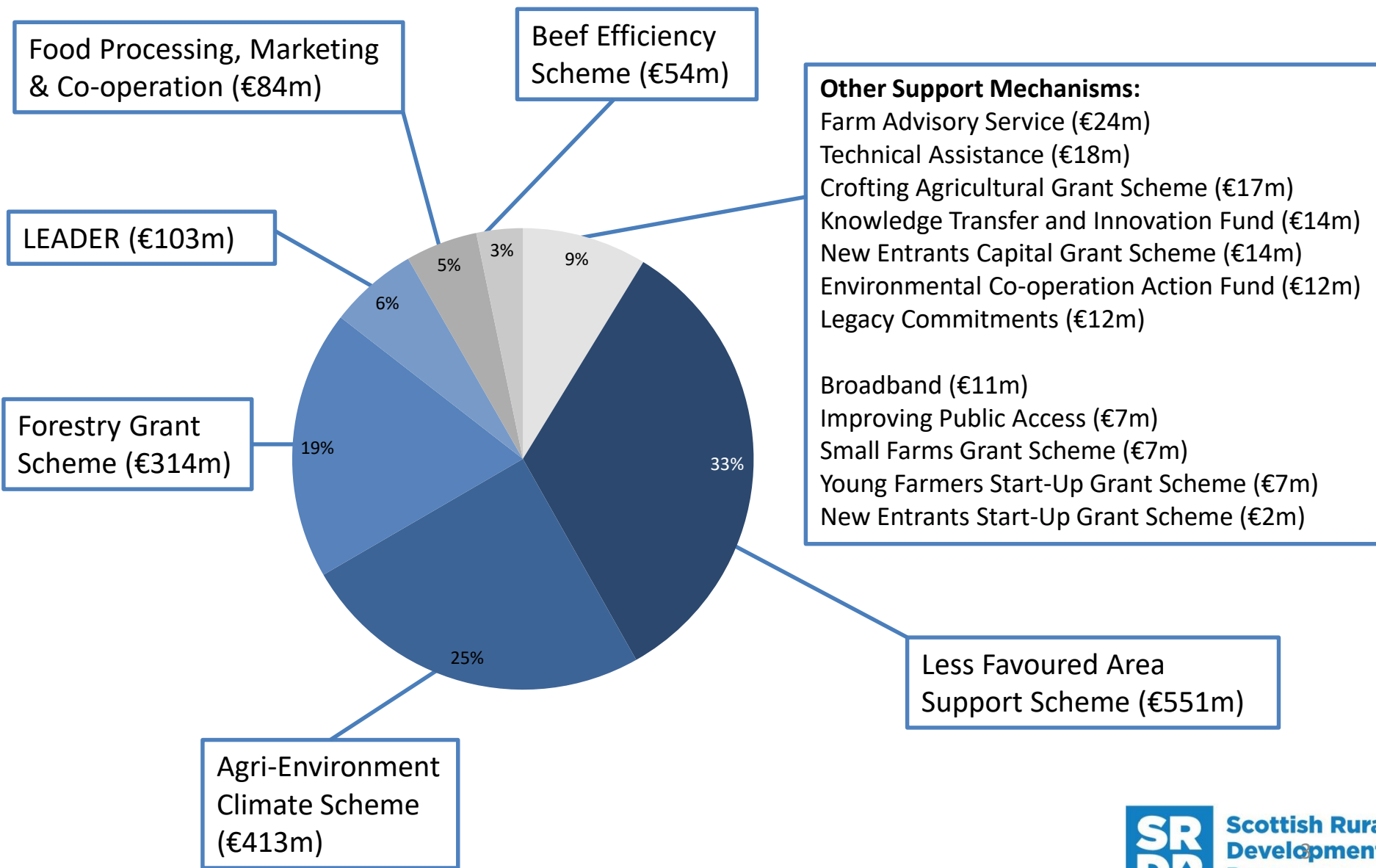
The SRDP delivers Pillar 2 of the EU Common Agricultural Policy (CAP). It funds economic, environmental and social measures for the benefit of rural Scotland. The key purpose of the SRDP 2014-2020 is to help achieve sustainable economic growth in Scotland's rural areas and the key priorities are:

- Enhancing the rural economy;
- Supporting agricultural and forestry businesses;
- Protecting and improving the natural environment;
- Addressing the impact of climate change; and
- Supporting rural communities.

The indicative budget for the SRDP is €1,694.8 million, with funding coming from the EU (€844.7 million) as well as from the Scottish Government (€850.2 million). The EU contribution consists of funding from the European Agricultural Fund for Rural Development (EAFRD) (€477.8 million) and a transfer from Pillar 1 of CAP (€366.9 million). Due to delays in EU legislation 2014 was a transitional year and the majority of support was limited to on-going commitments from the previous Programme period. The first schemes under the 2014-2020 Programme opened from January 2015 onwards. The Programme has been modified twice which has taken account of editorial amendments, amendments to some Measures to provide clarification for the support offered and some updates to State Aid conditions.

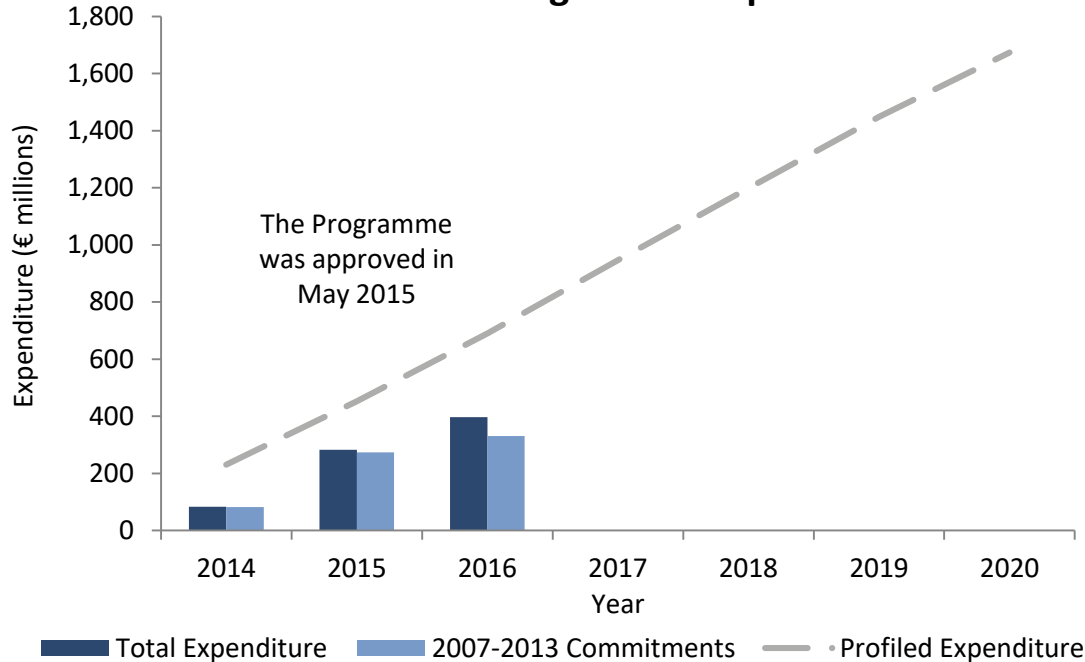
The outcome of the EU Referendum on 23 June 2016 and the UK Government's decision to leave the EU, created significant uncertainty over the future funding of EU programmes. The Scottish Government has confirmed that it will be passing on the current UK Government guarantees in full to Scottish stakeholders to provide stability and certainty for these key sectors of the Scottish economy (announced on 2 November 2016). This means that all contracts entered into by the point of a UK exit from the EU will be honoured in full. Scottish Ministers continue to seek further assurances for funding beyond the date of an EU exit.

Structure of SRDP 2014-2020



Programme Expenditure

Cumulative Programme Expenditure



The total public expenditure (EU and Scottish Government funding) incurred and paid in 2016 was €113.7 million. In the first three year of the Programme the total public expenditure has been €396.6 million. This includes on-going commitments made under SRDP 2007-2013.

In 2016 all schemes were open to applications, except the Environmental Co-operation Action Fund (ECAAF) which was suspended in 2016. The intention is that the ECAAF will be re-launched in 2017. Although open, not all schemes actually approved and funded projects in 2016, for example Broadband, although there has been activity in working up potential applications.

More than three quarters of the expenditure in the first three years of the Programme has been delivered through three schemes. Over a third of the expenditure has been on the Less Favoured Area Support Scheme (LFASS) (€135.0 million), with a further 23% of expenditure on the Agri-Environment Climate Scheme (€89.7 million) and 21% on the Forestry Grant Scheme (€84.7 million). There were four SRDP schemes (Beef Efficiency Scheme (BES), Broadband, ECAAF and Improving Public Access (IPA)) that had not had incurred expenditure by the end of 2016; although applications for the BES and the IPA scheme were approved in 2016.

As the new programme was only approved in May 2015 there was a delay in new schemes being launched and therefore new projects being approved. As a result, in the first three years of the Programme 83% (€330.6 million) of the expenditure has been for on-going commitments made under the SRDP 2007-2013.

Summary of Progress

The table below shows a summary of the SRDP progress against expenditure between 2014 and 2016:

Support Mechanism	Holdings/ Beneficiaries supported ²	Actions/ Operations/ Projects Supported	Co-operation Operations Supported	Area Supported (Ha)	Jobs Created	Numbers Advised	Numbers Trained	Population Benefiting from Improved Services/ Infrastructure	Expenditure in 2014 to 2016 (€ million)
Agri-Environment Climate Scheme	290	455		895,950 (including 63,300 ha supporting organic farming)					89.7
Beef Efficiency Scheme				NCR		NCR			NCR
Broadband		NCR						NCR	NCR
Crofting Agricultural Grant Scheme	983	1,341	NCR						5.3
Environmental Co-operative Action Fund			NCR						NCR
Farm Advisory Service						NCR			0.3
Food Processing, Marketing & Co-operation		53	1						18.3
Forestry Grant Scheme	1,406	856	NCR	184,541 (including 12,145 ha of woodland creation)					84.7
Improving Public Access		NCR						NCR	NCR
Knowledge Transfer and Innovation Fund			13				11,820		1.9
LEADER ¹		263	29		Nil			Nil	12.8
Less Favoured Area Support Scheme	11,488			2,305,901					135.0
New Entrants Capital Grant Scheme	35	40							0.7
New Entrants Start-Up Grant Scheme	17	17							0.2
Small Farms Grant Scheme	6	8							0.05
Young Farmers Start-Up Grant Scheme	105	105							6.6

Notes:

1: All LEADER projects were on-going commitments from the 2007-2013 Programme. Jobs created are reported under the 2007-2013 Programme and population data were not required for the 2007-2013 Reports.

2: In some cases the same holding/beneficiary may have been supported multiple times.

NCR: No claims received and paid between 2014 and 2016.

Greyed out cells indicate that the output indicator is not applicable to that support mechanism.

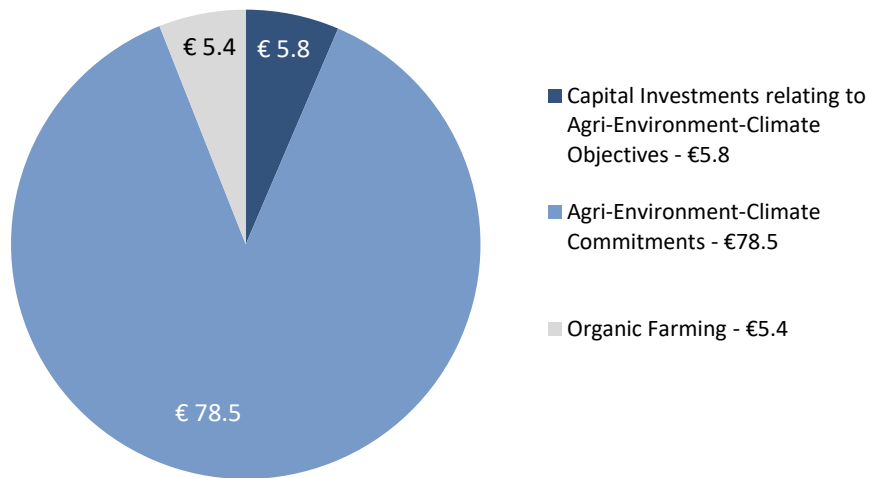
With the programme having only been formally approved in May 2015 the level of expenditure and outputs generated from this expenditure have been lower than anticipated in the first three years of the Programme. With all schemes having been launched and all expected to approve and fund projects in 2017 the level of outputs being generated, as shown in the table above, should start to increase.

AECS and FGS Scheme Updates

Agri-Environment Climate Scheme

- Indicative scheme budget of €412.8 million
- €89.7 million spent in 2014 to 2016
- Number of applications: 2,092
- Number of applications approved: 1,536

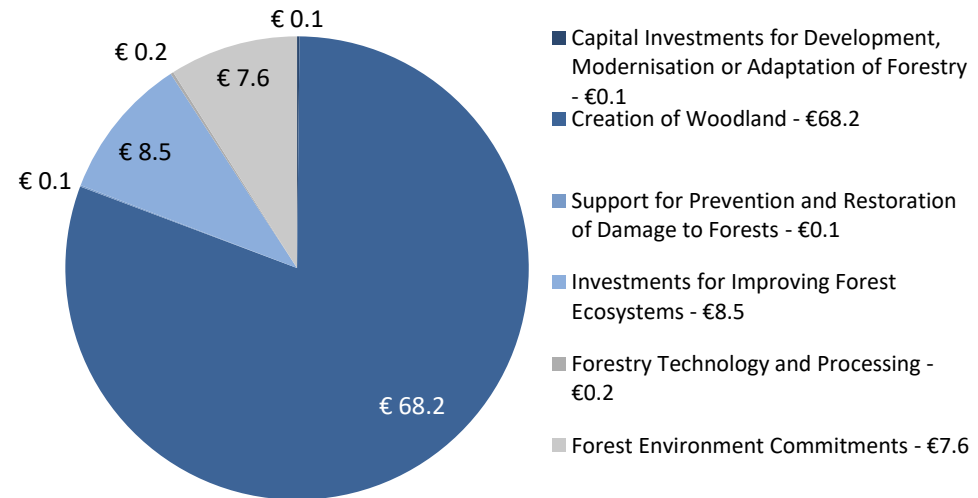
Expenditure in 2014 to 2016 (€ millions)



Forestry Grant Scheme

- Indicative scheme budget of €314.4 million
- €84.7 million spent in 2014 to 2016
- Number of applications: 1,458
- Number of applications approved: 1,109

Expenditure in 2014 to 2016 (€ millions)



The majority of expenditure on the AECS and the Forestry Grant Scheme during the SRDP 2014-2020 will be on multi-year contracts. In first three years of the Programme, most of the expenditure on both of these schemes has been on multi-year contracts that were on-going commitments from the SRDP 2007-2013 under the Rural Priorities and Land Mangers Options schemes.

Assessment of the Performance of the SRDP 2014-2020

The Scottish Government commissioned Agra CEAS Consulting to carry out an assessment of the performance of the SRDP 2014-2020 for inclusion in the 2016 Annual Implementation Report. An evaluation at this point in the programming period is a requirement of the European Commission.

[European Union Regulations on rural development](#) sets out a number of Measures under which EU funding can be used and which can be programmed by Member States. The Scottish Government developed a suite of schemes under these Measures to make up the SRDP. A scheme can draw on one or several Measures and schemes/Measures can contribute to one or more Focus Areas. This complexity is not visible to participants and stakeholders, and is only relevant in financial arrangements and formal reporting to the European Commission.

In addition to schemes, the evaluation also covered the performance of the Scottish Rural Network and the use of Technical Assistance funds, both of which support the SRDP in different ways.

Expenditure to the end of 2016 was some €396.6 million, or 23.4% of the planned total for the seven-year programming period 2014-2020. The suite of agri-environment schemes accounted for higher than average proportions of expenditure so far (together 49.3%), due to the fact that many of the commitments have continued from the 2007-2013 programming period, and are based on previous schemes. In contrast, some other schemes had no spending by the end of 2016, which has been where new schemes have been introduced which have taken time to start up.

A general conclusion to be drawn is that the design of schemes and their operation so far appear to be working towards addressing SRDP aims. However, at this stage in the programming period it is too early to assess the impact of schemes against their objectives. Similarly, it is not yet possible to come to a definitive conclusion on the extent to which synergies among schemes have enhanced the effectiveness of the SRDP. The full evaluation can be found in [Section 7 of the Annual Implementation Report](#).

Performance Framework Indicators – Performance Reserve

There are specific targets set against the [EU Priorities](#), which are further broken down into Focus Areas, that have to be delivered by the end of 2018. The 2018 targets, against Priorities and Focus Areas, and progress to date are shown in the table below.

Priority	Indicator	2014 to 2016	Target 2023	Milestone Target 2018	Milestone Target 2018 Percentage	Achieved Percentage of 2023 Target
2 - Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and the sustainable management of forests	Total Public Expenditure (€m)	98.73	352.54	141.02	40%	28%
	Number of agricultural holdings with support for investment in restructuring or modernisation (Focus Area 2A) + holdings with supported business development plan/investment for young farmers (Focus Area 2B)	1,778	8,696	3,478	40%	20%
	Area supported under LFASS/ANC (ha) (Focus Area 2A)	1,152,951	1,400,000	1,260,000	90%	82%
3 - Promoting food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture	Total Public Expenditure (€m)	24.55	93.15	27.94	30%	26%
	Number of supported agricultural holdings receiving support for participating in quality schemes, local markets/short supply circuits, and producer groups (Focus Area 3A)	7,684	8,127	3,251	40%	95%
	Number of operations supported for investment (Focus Area 3A)	55	115	35	30%	48%
4 - Restoring, preserving and enhancing ecosystems related to agriculture and forestry	Total Public Expenditure (€m)	215.59	805.02	326.81	40%	27%
	Agricultural land under management contracts contributing to biodiversity (ha) (Focus Area 4A) + improving water management (ha) (Focus Area 4B) + improving soil management and/preventing soil erosion (ha) (Focus Area 4C)	606,907	1,263,000	505,200	40%	48%
	Area supported under LFASS/ANC (ha) (Focus Area 4A)	1,152,951	1,400,000	1,260,000	90%	82%
5 - Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors	Total Public Expenditure (€m)	26.13	289.16	115.67	40%	9%
	Agricultural and forest land under management to foster carbon sequestration/conservation (ha) (Focus Area 5E) + Agricultural land under management contracts targeting reduction of GHG and/or ammonia emissions (ha) (Focus Area 5D)	3,568	202,600	81,040	40%	2%
6 - Promoting social inclusion, poverty reduction and economic development in rural areas	Total Public Expenditure (€m)	20.01	124.96	43.74	35%	16%
	Population covered by LAGs (Focus Area 6B)	2,100,000	2,100,000	2,100,000	100%	100%
	Number of operations supported to improve basic services and infrastructures in rural areas (Focus Areas 6B and 6C)	1,102	1,058	370	35%	104%

Progress against the targets has been subject to the variance of scheme availability in the first three years of the Programme and the levels of on-going commitments from the SRDP 2007-2013.

Communications and the Scottish Rural Network

Communications:

The [Information and Publicity Strategy](#) for the SRDP 2014-2020 was established in early 2015 and has been updated accordingly since then, including in 2016.

Communications in 2016 continued to raise the awareness of each of the schemes, the procedures of applying, selection criteria, process and timetables for approvals and payments. The UK referendum on EU membership required good communication to all stakeholders to ensure that they understood how this impacted on the SRDP, and to provide reassurance that the SRDP continued to operate.

Avenues for engaging with customers included: press releases and news articles; the [Rural Payments and Inspections](#) website; engagement at events such as the Royal Highland Show; newsletters; and social media activity.

Scottish Rural Network:

The Network Support Unit, based within Scottish Government, has been set up to provide a dedicated staff resource for the successful delivery of the National Rural Network's Action Plan and individual activities.

An Annual Work Programme was drawn up which set out the planned activities of the [Scottish Rural Network](#) (SRN) for 2016-17, and this was supported by the SRN Communication and Monitoring and Evaluation Plans.

Some of the key activities undertaken by the SRN in 2016 included: production of a [film](#) about the LEADER programme; Areas facing Natural Constraint (ANC) [stakeholder workshop](#); publication of 17 SRDP project [case studies](#); production of a short [animation](#) about the SRDP; and launch of the new [SRN Funding Search](#).

Monitoring and Evaluation

In anticipation of the transition from Less Favoured Areas (LFAs) to Areas of Natural Constraint (ANC), the Scottish Government commissioned a desk-based evaluation of the Less Favoured Area Support Scheme (LFASS).

The [evaluation](#) concluded that given budget limits and ANC rules, although various design options for designations and payment rates can be constructed, none are likely to deliver satisfactorily on policy aims nor to avoid significant redistribution from existing support patterns. Ultimately, if the European Commission's rules around ANCs do not permit the degree of targeting and conditionality required to address specific policy objectives and redistribution is unavoidable anyway, it may be that other policy instruments available under both Pillars of the CAP would be more suitable and that at least a proportion of funding currently directed through LFASS could be better deployed in other ways. Sustainable rural development is unlikely to be secured through denial of the pressures for structural adjustments and continuation of the existing approach.

Following the evaluation, the publication of further EC guidance, and the EU Referendum, Scottish Ministers announced the intention to continue with support through LFASS for 2018 with payments of 80% of the LFASS rate.

The [Ex Post Evaluation of the 2007-2013](#) was completed in 2016. The evaluation found that the intervention logic was considered by most stakeholders to be appropriate to the needs identified in rural Scotland.

The significant strategic emphasis of the Programme on environmental interventions, mainly through Axis 2, was a direct response to the long-term decline in farmland biodiversity and the condition of many designated sites. In terms of environmental impact, limited monitoring and survey data availability necessitated to draw from perceptions of stakeholders and previous studies. Here, it was thought that some agri-environment options of the SRDP 2007-2013 were well used and almost certainly contributed to species recovery.

The SRDP 2007-2013 created or safeguarded between 30,400 to 33,400 jobs and between £1.03 billion and £1.12 billion of GVA. With the research suggesting that the majority of jobs were safeguarded rather than created. On average, the cost per job ranged between £41,000 and £43,300 creating a return on investment of between £2.30 and £2.40 for every £1 spent by the Programme.